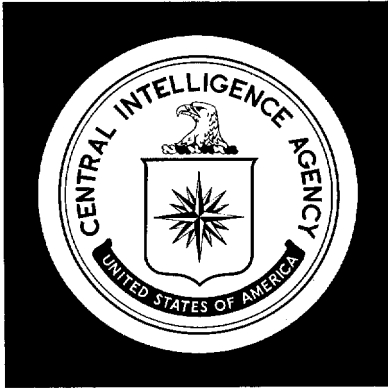


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DIRECTORATE OF  
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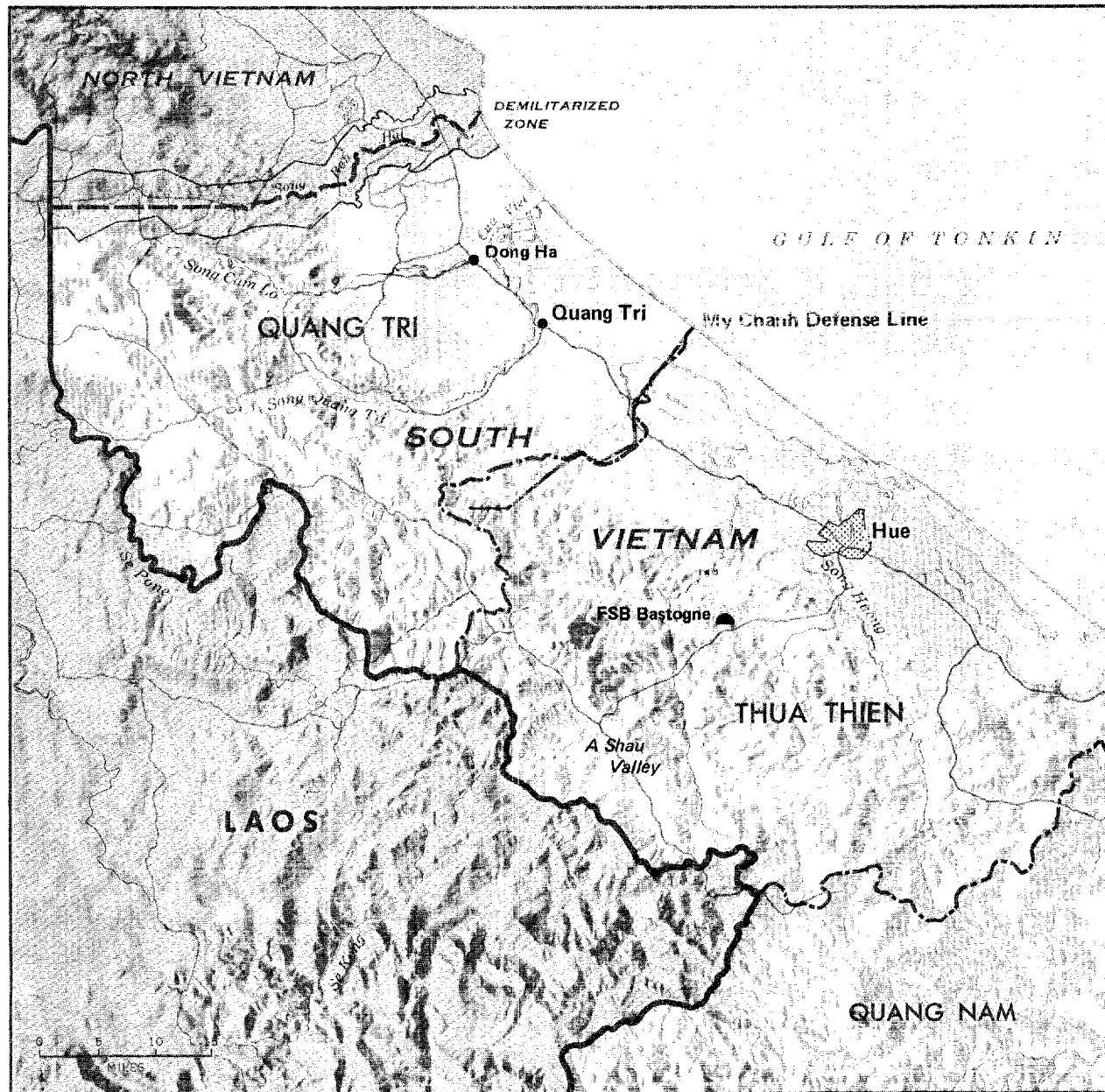
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**VIETNAM:** South Vietnamese forces moving toward the capital of Quang Tri Province are encountering moderate resistance.

Elements of the South Vietnamese paratroop force moving north along Route 1 reportedly were airlifted yesterday into positions south of Quang Tri City and were nearing the city by nightfall. South Vietnamese Marines also have been able to move within striking distance of the city on the east, but are meeting some opposition. President Thieu visited a forward government position in the area yesterday and--buoyed by the campaign's results so far--subsequently announced that the primary goal of the current effort is to "capture all of Quang Tri Province."

The Communists evidently have not yet been able to establish strong defensive positions to block the South Vietnamese, chiefly because of heavy, sustained allied air, artillery, and naval bombardment preceding the advancing troops.

\* \* \* \*

North Vietnam provided no hint of a change in its negotiating line in its initial comment on President Nixon's announcement of the resumption of the Paris peace talks. A statement released by the North Vietnamese delegation in Paris on 30 June claims that US and world opinion has forced the US to return to the talks. Public opinion is also demanding, it claims, that Washington end the bombing and mining of North Vietnam, abandon the Thieu administration and the Vietnamization policy, and "respond positively" to the Viet Cong's seven-point negotiating proposal and the two-point elaboration. "So long as the US imperialists pursue their aggression," it says, "the Vietnamese people are determined to wage with perseverance and vigor their patriotic struggle."

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The statement takes an oblique swipe at US summit diplomacy, claiming that "neither the bombing nor the perfidious diplomatic and political maneuvers of the US imperialists can shake the determination of the Vietnamese people." The Viet Cong delegation in Paris, in a statement issued simultaneously, repeated the main elements of the North Vietnamese pronouncement and added that the US was trying "to force the South Vietnamese people to accept the dictatorial and corrupt regime" of President Thieu.

\* \* \* \*

Several of South Vietnam's largest nationalist parties appear to be making some headway toward setting up a political alliance that would be independent of the Thieu government. Four parties reportedly have agreed on the structure of the new organization and are negotiating with other groups in an attempt to broaden the alliance. The leaders of all of these parties have cooperated with President Thieu in the past, but they have been soured by his failure to give them much power in his government. They reportedly believe that there may be an early agreement to end the fighting and that, in such a situation, a broad-based political grouping not identified with Thieu would have an important role.

Collectively, the parties that are discussing unity would represent a significant political force, and their leaders appear to be making a serious effort to join forces. In the past, however, South Vietnamese political combinations of this sort have invariably started with an exchange of promises to cooperate and then broken down because the leaders refused to subordinate their personal and party interests to a common policy. The leaders of the parties in the organization reportedly must agree on all decisions, a factor which seems likely to hamper the alliance's effectiveness and which casts doubt on its staying power. [REDACTED]

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CHINA-CEYLON: Peking's desire for close ties with Ceylon has been underscored by its red-carpet treatment of visiting Premier Bandaranaike and by the continuation of substantial economic aid to her government.

The reception for Mrs. Bandaranaike included a mammoth public turnout for her arrival on 25 June and a meeting with Mao Tse-tung--his first official appearance since his talk with President Nixon in February.

Underlying expressions by Mrs. Bandaranaike and Premier Chou En-lai of their close ties is a mutual interest in countering the growth of Soviet and Indian influence in South Asia in the wake of India's victory over Pakistan and the conclusion of the Indo-Soviet friendship treaty. Chou praised Ceylon's proposal to make the Indian Ocean a zone of peace as evidence of the urgent desire of Afro-Asian nations to oppose the aggression and expansion of the superpowers.

The dramatic reception given Mrs. Bandaranaike will strengthen her political leadership at home. The new \$52-million Chinese loan will help Ceylon meet its grave economic problems, and fulfills the primary objective of her trip. The economic aid could, however, have adverse long-term effects because it will allow the government once again to postpone politically unpalatable but economically necessary reforms. Peking's treatment of the visit underlines Chinese determination to help keep the Bandaranaike government afloat as an independent factor in South Asia.

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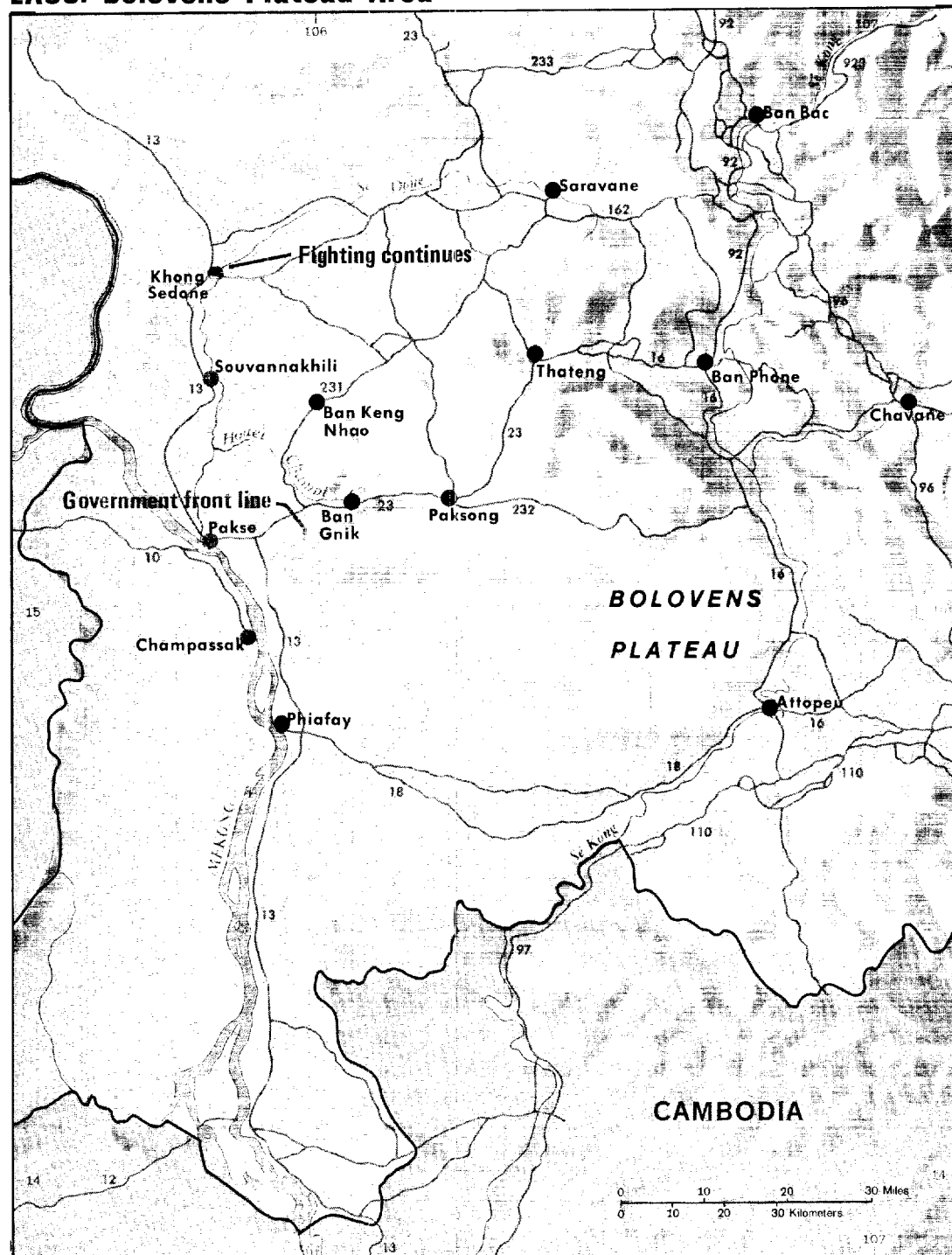
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# LAOS: Bolovens Plateau Area



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- Government-held location
- Communist-held location

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LAOS: The government rainy season offensive continues to make slow progress.

After more than two weeks of hard fighting, irregular troops have managed to drive the Communists from most of their positions west of Khong Sedone town. The North Vietnamese, however, are strongly resisting government efforts to move to the north and are continuing to shell government units in the town itself.

The government continues to fare less well in the Bolovens Plateau area, where three irregular battalions were dispersed last week. On 29 June a Lao Army battalion at the Route 23/231 junction was forced out of its position when it was attacked by a North Vietnamese company.

In north Laos, irregulars are still trying to push Communist forces from the hills southwest of the Plaine des Jarres. Sporadic Communist shellings, probes, and bad weather which limits air support have prevented the irregulars from securing the high ground at Phou Pha Sai and Tha Tam Bleung.

[REDACTED]

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URUGUAY: President Bordaberry is close to securing passage of the national security law that will replace the "state of internal war."

The Uruguayan Senate, after three months of negotiations, has approved a compromise version of Bordaberry's proposal to give the military judicial authority over suspected terrorists. In exchange for extending military jurisdiction to civilians, the government has agreed to move against right-wing "death squads" by making it a federal crime for private citizens to conspire to take the law into their own hands. The bill probably will pass the Chamber of Deputies, but Bordaberry has received a temporary extension of the "state of internal war," which was due to expire yesterday.

Operating under the "state of internal war," the military has made substantial inroads on the Tupamaro organization, but some of its methods have provoked criticism. Defense Minister Magnani has been under fire in the Senate because of the recent death of a Tupamaro suspect during interrogation by the military. Although a censure motion failed to carry on 22 June, Magnani reportedly has submitted his resignation in response to criticism of his testimony. Bordaberry probably will not accept the resignation. After the storm blows over, he may replace Army Commander in Chief General Gravina, who apparently does not have the confidence of the President or his own staff. Such action now could prompt changes in other key army assignments and would be interpreted publicly as a vote of no confidence in the military leadership.

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RHODESIA: The government has imposed increasingly heavy restrictions on the activities of the African National Council (ANC), which led the fight against the now defunct Anglo-Rhodesian accord.

Since the British canvass of Rhodesian public opinion ended last March, the government has forbidden the council to issue membership cards and to obtain funds and other assistance from foreign sources. It has also banned all outdoor political gatherings and placed some ANC members in detention.

Prime Minister Smith is almost certainly under strong pressure to ban the council outright. He may well be hesitating to do so, however, because he does not want to antagonize the Heath government and make it any more difficult to reopen lines of communication with London. Fearing the council's disruptive potential, Smith clearly intends, however, to control its activities as tightly as he can.

[REDACTED]

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MOROCCO: Employers and local authorities are taking an increasingly tougher attitude toward growing labor strife.

Despite numerous labor strikes during the last ten months, relations between the Karim-Lamrani government and the trade unions had been relatively peaceful until last week. This ended abruptly with a sharp increase in strikes and a number of clashes between workers and security forces.

More than 3,000 workers are on strike in the major industrial area of Casablanca. The most vexing strike for the government is that of some 1,500 airport workers whose 24-hour strike, called for 22 June, was extended indefinitely when 24 air traffic controllers were arrested for refusing to obey the government's return-to-work order. Worker demands include higher wages, fringe benefits accorded under existing labor legislation, and a collective bargaining agreement. Military personnel have kept the airport operating normally.

Other strikes affect the chemical, textile, and leather industries, where some violence has been reported and security forces have been called in to keep order. About 100 workers have been arrested.

The secretary-general of Morocco's principal labor union, the left-wing Federation of Moroccan Workers, claims that the order to crack down on the workers was initiated by the King, who, according to the secretary-general, reacted to the airport strike by asking: "Who runs this country, the government or the union?" The labor leader places the responsibility for labor unrest squarely on "weak ministers and government officials" who have shown little ability to negotiate reasonable worker demands through established channels. The leaders of organized labor, however, have had to deal in recent months with a number of unauthorized strikes.

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This heightened labor agitation, together with the prolonged class boycott of many university students and more than half of those in secondary schools, seems certain to exacerbate the already widespread discontent.

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UN: Harsh criticism of the US for importing Rhodesian chrome is likely to be heard in the Security Council next week. The three African members of the Council reportedly are calling for a meeting on 7 or 8 July, and the Somali delegate has been drafting a strong resolution based on the one adopted at the recent OAU summit. That resolution on Rhodesia condemned the US Government "for its continued importation of chrome ore." The US has been reminding Security Council members that it imports only a small portion of Rhodesia's chrome exports and that a condemnation singling out the US would be inappropriate. [REDACTED]

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\* \* \* \*

CENTRAL AMERICA: The Costa Rican Government reportedly has settled its monetary conflict with the Central American Common Market, although minor misunderstandings may delay implementation. Under a formula worked out by the Market's Monetary Council, Costa Rica has agreed to pay 25 percent of the \$22.2-million debt it owes to other members; the remaining \$16.7 million is to be paid in three equal installments over a one-year period. Costa Rica further agreed to adopt a financial stabilization program and to impose a 13-percent exchange surcharge on all imports from Market members. One concession demanded of Costa Rica--the devaluation of its currency--was abandoned temporarily, however, pending progress of its domestic fiscal and credit programs. Although prospects for the Market's early revitalization are still not good, this initial compromise is a helpful step. [REDACTED]

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HONDURAS: Two recent tropical storms have so severely damaged the Honduran banana crop that banana export earnings could decline by as much as 25 percent from last year's \$96 million. The nation's balance-of-payments problems will be severely aggravated because bananas account for about 50 percent of total export earnings. This will be a heavy blow to Honduras, which has been confronted with worsening economic difficulties since President Cruz took office in June 1971. [REDACTED]

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